

**ULUNDI LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

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**Annual Financial Statements  
for  
ULUNDI LOCAL MUNICIPALITY**

**for the year ended 30 June: 2013**

**Province:**

**KwaZulu Natal**

**CONTACT INFORMATION**

**Name of Municipal** Princes S A Buthelezi

**Name of Chief Financial Officer:** Mr. Jabulani H Mhlongo

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**Contact e-mail address:** [tmagwaza@ulundi.co.za](mailto:tmagwaza@ulundi.co.za)

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**Name of relevant Auditor:** Mr. Jabulani Nkosi

**Contact telephone number:** 033-2647400

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**ULUNDI LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**General information**

**Members of the Council**

Councillor N.J. Manana (F)	Her Worship the Mayor
Councillor W.M. Ntshangase (M)	Honourable Deputy Mayor
Councillor H.J. Mlambo (M)	Honourable Speaker
Councillor J.T. Gasa (M)	Member of the Executive Committee
Councillor R.V. Sibiya (M)	Member of the Executive Committee
Councillor L.N.Z. Buthelezi (F)	Member of the Executive Committee
Councillor S.R. Shwala (M)	Member of the Executive Committee
Councillor G.N. Mtshali (F)	Member of the Executive Committee
Councillor K.P. Ngema (M)	Member of the Executive Committee
Councillor M.S. Gcaba (M)	Member of the Executive Committee

**Ordinary Council Members**

Councillor B.S. Khanyile (M)	Councillor R.B. Nyawo (M)
Councillor F.L. Buthelezi (M)	Councillor S.M. Buthelezi (M)
Councillor H.M. Kubheka (M)	Councillor S.N. Buthelezi (M)
Councillor J.E. Xulu (M)	Councillor S.P. Ximba (F)
Councillor J.M. Khanyile (M)	Councillor S.V. Mdluli (M)
Councillor J.S. Mhlongo (M)	Councillor S.V. Ngcobo (M)
Councillor K.J. Sibiya (M)	Councillor S.Z. Mkhize (M)
Councillor K.M. Sithole (M)	Councillor T.J. Mangele (M)
Councillor M. Mdlalose (M)	Councillor T.K. Mkhize (M)
Councillor M.E. Buthelezi (M)	Councillor T.L. Khumalo (F)
Councillor T.G. Madela (F)	Councillor V.E. Zungu (M)
Councillor M.J. Dlamuka (M)	Councillor W.T. Ndebele (M)
Councillor M.S. Buthelezi (M)	Councillor Z. Siyaya (F)
Councillor M.T. Gasa (M)	Councillor Z.L. Buthelezi (M)
Councillor S. Khumalo (F)	Councillor M.W. Sithole (M)
Councillor N.D. Masondo (M)	Councillor N.Z. Ncala (M)
Councillor Prince N.M. Buthelezi (M)	Councillor P.M. Mthethwa (M)
Councillor V.P. Langa (M)	Councillor S.F. Cindi (F)

**Grading of Local Authority**

Low Capacity

**Auditors**

Auditor-General South Africa

**Bankers**

First National Bank

**ULUNDI LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**General information (continued)**

<b>Registered Office:</b>	Cnr Princess Magogo & King Zwelithini Roads, Ulundi
<b>Physical address:</b>	Cnr Princess Magogo & King Zwelithini street, Ulundi, 3838
<b>Postal address:</b>	Private Bag X17 Ulundi 3838
<b>Telephone number:</b>	+27 35 874 5100 +27 35 874 5800
<b>Fax number:</b>	+27 35 870 3506
<b>E-mail address:</b>	<a href="mailto:sabuthlezi@ulundi.gov.za">sabuthlezi@ulundi.gov.za</a>

ULUNDI LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 5 to 38, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors and payments made to Councillors for loss of office, if any, as disclosed in note 22 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



Municipal Manager: Princess SA Buthelezi

DATE 27/11/2013

**ULUNDI LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013**

	Note	2013	2012 Restated
<b>ASSETS</b>			
<b>Current assets</b>		<b>17 923 407</b>	<b>15 522 840</b>
Cash and cash equivalents	2	1 672 093	1 047 420
Trade and other receivables from exchange transactions	3	11 998 152	8 919 523
Other receivables from non-exchange transactions	4	30 038	469 151
Inventories	5	871 767	977 010
VAT receivable	6	3 351 357	4 109 736
<b>Non-current assets</b>		<b>692 082 856</b>	<b>729 652 158</b>
Property, plant and equipment	7	450 436 243	486 284 158
Investment property	8	241 588 000	243 368 000
Intangible assets	9	58 613	-
<b>Total assets</b>		<b>710 006 263</b>	<b>745 174 998</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>		<b>78 726 542</b>	<b>67 535 971</b>
Trade and other payables from exchange transactions	10	71 957 024	52 539 070
Consumer deposits		1 463 104	1 485 904
Current provisions	11	666 544	666 544
Current portion of unspent conditional grants and receipts	12	4 282 771	12 667 003
Current portion of long service awards	13	266 761	-
Current portion of finance lease liability	14	90 338	177 450
<b>Non-current liabilities</b>		<b>3 238 398</b>	<b>108 498</b>
Non current portion of long service awards	13	3 220 239	
Non current portion of finance lease liability	14	18 159	108 498
<b>Total liabilities</b>		<b>81 964 941</b>	<b>67 644 469</b>
<b>NET ASSETS</b>			
		<b>628 041 322</b>	<b>677 530 529</b>
Reserves		122 330 414	418 944 079
Accumulated surplus / (deficit)	15	505 710 908	258 586 450
<b>Total net assets</b>		<b>628 041 323</b>	<b>677 530 529</b>

**ULUNDI LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2013**

	Note	2013	2012
<b>Revenue</b>			
Property rates	16	22,757,441	20,776,767
Property rates - penalties imposed and collection charges	16	4,835,208	8,017,621
Service charges	17	48,255,285	39,002,901
Rental of facilities and equipment	18	740,612	692,010
Interest earned - external investments	19	208,855	113,542
Fines		2,208,768	1,383,471
Licences and permits		2,246,565	2,282,460
Government grants and subsidies	20	121,830,205	92,101,509
Other income	21	5,816,746	3,438,219
Provision for bad debts adjustment		14,330,675	-
<b>Total Revenue</b>		<b>223,230,360</b>	<b>167,808,500</b>
<b>Expenses</b>			
Employee related costs	22	68,491,916	58,467,193
Remuneration of councillors	23	10,858,682	10,443,449
Bad debts		19,534,616	709,088
Provision for Impairment of Trade Debtors		-	61,141,873
Depreciation	24	62,920,990	156,907,199
Amortisation expense	24	540,909	-
Impairment loss	7	2,438,335	-
Repairs and maintenance		2,976,057	5,672,567
Finance costs	25	16,250	71,072
Bulk purchases	26	49,248,571	44,916,039
Contracted services	27	33,711,707	20,717,637
General expenses	28	21,942,729	19,118,391
<b>Total Expenses</b>		<b>272,680,762</b>	<b>378,164,508</b>
Gain / (loss) on sale of assets	29	120,000	695,069
Change in Accounting Estimate	30	-	1,196,715
Profit / (loss) on fair value adjustment		-	-
<b>Surplus / (deficit) for the period</b>		<b>-49,330,402</b>	<b>-208,464,224</b>

**ULUNDI LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
**STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2013**

	Revaluation Reserve	Accumulated Surplus/(Deficit)	Total: Net Assets
Balance at 30 June 2012	184 148 961	494 131 569	678 280 530
Prior year adjustment	-	-908 806	(908 806.00)
Grant -Thusong Service Centre incorrectly allocated to sundry income	-	-750 000	-750 000
Debtor overstated - insurance claims	-	-158 806	-158 806
Restated balance at 30 June 2012	184 148 961	493 198 249	677 371 724
Transfer Depreciation on revalued assets	-61 818 547	61 818 547	-
Surplus / (deficit) for the period	-	-49 330 402	-49 330 402
Balance at 30 June 2013	122 330 414	505 686 393	628 041 322



**ULUNDI LOCAL MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS  
STATEMENT CASH FLOW AS AT 30 JUNE 2013**

	Note	2013	2,012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Receipts from Customers and Government		220,316,516	177,296,664
Cash paid to suppliers and employees		-191,738,178	(149,213,029)
Interest received	31	28,578,338	28,083,635
Interest paid		208,211	113,542
		-16,250	(71,072)
<b>Net cash flows from operating activities</b>		<b>28,770,299</b>	<b>28,126,105</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of fixed assets (PPE)		-30,292,343	(28,358,585)
Proceeds from sale of fixed assets		1,900,000	1,476,069
<b>Net cash flows from investing activities</b>		<b>-28,392,343</b>	<b>(26,882,516)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase/(decrease) in consumer deposits		-22,800	116,616
Repayment of finance lease liability		-177,451	(270,032)
Decrease in long term liability		-	(540,420)
<b>Net cash flows from financing activities</b>		<b>-200,251</b>	<b>(693,836)</b>
<b>Net increase / (decrease) in net cash and cash equivalents</b>		<b>624,673</b>	<b>549,753</b>
<b>Net cash and cash equivalents at beginning of period</b>		<b>1,047,420</b>	<b>497,667</b>
<b>Net cash and cash equivalents at end of period</b>	32	<b>1,672,093</b>	<b>1,047,420</b>

**ULUNDI LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
**ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2013**

**1 BASIS OF ACCOUNTING**

**1.1 BASIS OF PRESENTATION**

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 9	Revenue From Exchange Transactions
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After Reporting Date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liability and Contingent Assets
GRAP 21	Impairment of Non Cash Generating Assets
GRAP 23	Revenue From Non Exchange Transactions (Taxes and Transfers)
GRAP 24	Presentation of Budget Information in the Financial Statements
GRAP 25	Employee Benefits
GRAP 26	Impairment of Non Generating Assets
GRAP 102	Intangible Assets
GRAP 104	Financial Instruments

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

**1.2 PRESENTATION CURRENCY**

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

**1.3 GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

**1.4 COMPARATIVE INFORMATION**

Budget information in accordance with GRAP 1 and 24, has been provided in note 49 to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

**1.5 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE**

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 8 Interest in Joint Ventures - issued August 2006

GRAP 18 Segment Reporting - issued March 2005

## 2 PROPERTY, PLANT AND EQUIPMENT

### 2.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

### 2.2 SUBSEQUENT MEASUREMENT -REVALUATION MODEL (LAND, BUILDINGS AND INFRASTRUCTURE ASSETS)

Subsequent to initial recognition, land, buildings, and other infrastructure assets are carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Land is not depreciated as it is deemed to have an indefinite useful life.

#### Derecognition

The carrying amount of items of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### 2.3 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Infrastructure	Other	
Roads and Paving	10-20	Buildings 30
Pedestrian Malls	30	Air Conditioners 7
Electricity	25	Vehicles and tractors 7
Water	20	Office equipment 5
Sewerage	20	Furniture and fittings 10
		computer software 3
Community		Machinery and Equipment 7
Buildings	30	Tools 5
Recreational Facilities	10	Radio 5
		Computer equipment 3

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

2.4 The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### 3 INTANGIBLE ASSETS

#### 3.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

#### 3.2 SUBSEQUENT MEASUREMENT - COST MODEL

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

#### 3.3 AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

##### Computer software

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

#### 3.4 DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential

### 4 INVESTMENT PROPERTY

#### 4.1 INITIAL RECOGNITION

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. The values were determined by the Municipal Valuers, and Civil engineers appointed for the purpose, and the valuation process were completed during the financial year ending 30 June 2013.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

#### 4.2 SUBSEQUENT MEASUREMENT - FAIR VALUE MODEL

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

### 5 NON-CURRENT ASSETS HELD FOR SALE

#### 5.1 INITIAL RECOGNITION

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

#### 5.2 SUBSEQUENT MEASUREMENT

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

## **6 INVENTORIES**

### **6.1 INITIAL RECOGNITION**

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

### **6.2 SUBSEQUENT MEASUREMENT**

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

## **7 FINANCIAL INSTRUMENTS**

### **7.1 INITIAL RECOGNITION**

Financial instruments are initially recognised at fair value.

### **7.2 SUBSEQUENT MEASUREMENT**

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

#### **7.2.1 INVESTMENTS**

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

#### **7.2.2 TRADE AND OTHER RECEIVABLES**

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

#### **7.2.3 TRADE PAYABLES AND BORROWINGS**

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

#### **7.2.4 CASH AND CASH EQUIVALENTS**

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

## **8 UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## **9 IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## 10 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## 11 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met: - the principal locations affected; the location, function, and approximate number of employees who will be compensated for terminating their services; - the expenditures that will be undertaken; and when the plan will be implemented; and

(a) The municipality has a detailed formal plan for the restructuring identifying at least: - the business or part of a business concerned; the principal locations affected; the location, function, and approximate number of employees who will be compensated for terminating their services; - the expenditures that will be undertaken; and when the plan will be implemented.

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

## 12 LEASES

Lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. Lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

### 12.1 Finance leases - lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease payments. The corresponding liabilities are initially recognised at the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

### 12.2 Finance leases - lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the net investment in the leases. The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

### 12.3 Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset/ liability. Any contingent rents are expensed in the period they are incurred.

### 12.4 Operating leases - lessor

Operating lease income is recognised as revenue on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Income for leases is disclosed under revenue in statement of financial performance.

## 13 REVENUE

### 13.1 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

### 13.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

### 13.3 GRANTS, TRANSFERS AND DONATIONS

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

#### 14 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

#### 15 CONSTRUCTION CONTRACTS AND RECEIVABLES

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by [the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs OR surveys of work done OR completion of a physical proportion of the contract work].

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

**IMPAIRMENT OF ASSETS****16.1 Cash generating assets****Identification:**

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset. If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

**Value in use:**

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life. When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

**Discount rate:**

The discount rate is a rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

**Recognition and measurement:**

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows: to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit. A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

**16.2 Non-cash generating assets****Identification:**

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset. If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined. The recoverable service amount of an asset or a non-cash-generating unit is the higher of its fair value less costs to sell and its value in use.

**Value in use:**

Value in use of an asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of an asset is determined using the following approach: Depreciated replacement cost approach: Value in use of an asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of an asset is determined using the following approach:

**Depreciated replacement cost approach:**

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

**Recognition and measurement:**

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss. An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. An impairment loss is recognised for non-cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows: to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit. The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.



Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows: '- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

**17 Employee benefits**

**17.1 Long service awards**

The present value of the long service award depends on a number of factors that are determined on an actuarial basis using a number of assumptions.

**17.2 Short-term employee benefits**

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered are not discounted. The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected costs of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

**17.3 Defined contribution plans**

Council employees contribute to the Natal Joint Municipal Pension Fund. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. A defined contribution plan is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods. The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid.

**18 Budget**

The municipality's budget has been prepared on a cash basis method.

**19 Value Added Tax**

The municipality accounts for Value Added Tax on the cash basis.

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NO

2013

2012

2 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

Cash on hand

Cash at bank

Call deposits

The Municipality has the following bank accounts: -

Current Account (Primary Bank Account)

First National Bank - Ulundi: 62035267609

Cash book balance at beginning of year

Cash book balance at end of year

Bank statement balance at beginning of year

Bank statement balance at end of year

Call Accounts - FNB

(FNB 62328066776 Electricity Sales Acc)

(FNB 62324120261 DME Account)

(FNB 62062833639 Housing Grant)

(FNB 62067492802 Conditional Grant)

(FNB 62064936093 FMG GRANT)

(FNB 62064936340 Statutory Funds)

(FNB 62064935855 Civic Centre)

(FNB 62067492943 MIG Funds)

(FNB 62067492638 Community Gardens)

(FNB 62033208283 MAP Call)

(FNB 62408436675 DDA)

(FNB 62228583888 MSIG ACC)

(FNB 62179391190 Investment Acc Main)

(FNB 62261683471 Ulundi Taxi Rank)

Current Account (Salaries)

First National Bank - Ulundi Branch: 62033637846

Cash book balance at beginning of year

Cash book balance at end of year

Bank statement balance at beginning of year

Bank statement balance at end of year

Credit Card account ( Petrol purchases)

First National Bank - 8812710030007004

Short term deposits

Deposits on call with banks

Cash on hand

Total cash and cash equivalents

Unutilised Conditional Grants must be ring fenced and separately invested. This was not implemented and amounts invested at year end were insufficient to cover the value of unspent conditional grants , as indicated hereunder:

Unutilised Conditional Grants

Amounts invested

Shortfall

3 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

Trade receivables

as at June 2013

Service debtors

Rates

Total

Other receivables

Other receivables

Total Trade and other receivables

as at June 2012

Service debtors

Rates

Total

Other receivables

Other receivables

Total Trade and other receivables

Rates: Ageing

Current (0 – 30 days)

31 - 60 Days

61 - 90 Days

91 - 120 Days

121 Days and over

Total

911 567

352 166

1 311 882

911 567

461 917

324 211

1 311 882

461 917

2 853

36 623

1 536

1 437

2 469

2 546

4 895

4 847

13 849

6 563

2 032

2 012

1 139

1 127

12 375

58 074

4 945

4 896

48

558

100 612

-

5 974

6 724

1 913

2 474

1 991

1 972

156 631

129 853

5 000

1 590

4 881

5 000

5 000

1 590

4 881

5 000

156 631

129 853

198 699

1 000

1 672 093

1 047 420

4 182 770

11 917 003

156 631

129 853

4 026 139

11 787 150

Gross Balances

Provision for Doubtful Debts

Net Balance

13 056 140

7 638 651

5 417 489

78 855 391

72 274 728

6 580 663

91 911 531

79 913 379

11 998 152

-

-

-

91 911 531

79 913 379

11 998 152

31 669 311

(29 069 508)

2 599 803

68 857 744

(62 538 024)

6 319 720

100 527 055

(91 607 532)

8 919 523

-

-

-

100 527 055

(91 607 532)

8 919 523

2 518 377

2 085 022

(854 260)

1 619 504

681 494

1 331 995

539 340

1 283 199

71 274 732

62 538 024

74 159 683

68 857 744

Electricity and other: Ageing

	2013	2012
Current (0 – 30 days)	1,308,812	1,329,513
31 - 60 Days	(2,340,716)	540,949
61 - 90 Days	801,974	401,384
91 - 120 Days	(207,209)	327,955
121 Days and over	16,095,121	29,069,510
<b>Total</b>	<b>15,657,982</b>	<b>31,669,311</b>

**3.1 Reconciliation of the doubtful debt provision**

Balance at beginning of the year	91,607,532	31,662,373
Adjustment for Debtors impairment		61,141,873.00
Reversal of provision	(16,447,594)	(1,196,714)
<b>Balance at end of year</b>	<b>75,159,938</b>	<b>91,607,532</b>

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2013, R 5 385 158- (2012: R 3 893 832-) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	31-60	4,219,341	2,160,453
2 months past due	61-90	1,165,817	1,733,379
Less than 3 months past due		<b>5,385,158</b>	<b>3,893,832</b>

No government debts have been provided for in the above amount.

Trade and other receivables impaired

As of 30 June 2013, trade and other receivables of R 75 159 938 were impaired and provided for.

The ageing of these receivables is as follows:

Over 3 months past due	75,159,938	91,607,534
	<b>75,159,938</b>	<b>91,607,534</b>

The fair value of trade and other receivables approximates their carrying amounts.

**4 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

Other debtors (Petrol deposit)	30,038	1,725,441
<b>Total Other Debtors</b>	<b>30,038</b>	<b>1,725,441</b>
Less: Provision for Doubtful Debts		1,256,290
	<b>30,038</b>	<b>469,151</b>

**5 INVENTORIES**

Consumable stores - at cost	871,767	1,222,024
Provision for write off		(245,014)
<b>Closing balance of inventories:</b>	<b>871,767</b>	<b>977,010</b>

**6 VAT RECEIVABLE**

Output VAT	-6,640,684	-2,261,679
Input VAT	7,136,406	5,278,197
VAT receivable	2,855,635	1,093,218
	<b>3,351,357</b>	<b>4,109,736</b>

The municipality accounts for Value Added Tax on the cash basis.

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**7 PROPERTY, PLANT AND EQUIPMENT**

Reconciliation of Carrying Value	Buildings	Infrastructure	Community	Other Assets	Finance lease assets	Total
	R	R	R	R	R	R
Carring amount as at 01 July 2012	111,609,868	367,776,874	2,755,436	3,329,712	414,810	486,284,302
Cost/Revaluation	131,069,602	735,124,874	3,253,250	10,769,498	2,875,769	882,150,683
Restated Accumulated depreciation and impairment losses	-19,459,734	-367,348,000	-497,814	-7,439,786	-2,460,959	-395,866,381
<b>Prior period error</b>						
Cost/Revaluation	-	-39,313	-	-	60,809	21,496
Accumulated depreciation and impairment losses	-	-98,282	-	-	-1,930,656	-2,028,938
		58,969			1,991,465	2,050,434
<b>Restated carrying amounts as at 01 July 2012</b>						
Cost/Revaluation	111,609,868	367,737,561	2,755,436	3,329,712	475,619	486,305,798
Accumulated depreciation and impairment losses	131,069,602	735,026,592	3,253,250	10,769,498	945,113	880,121,745
	-19,459,734	-367,289,031	-497,814	-7,439,786	-469,494	-393,815,947
<b>Movements for the year</b>						
Acquisitions/Additions	-	24,937,109	-	1,110,405	-	26,047,513
Capital under Construction	-	992,457	3,252,373	-	-	4,244,830
Depreciation for the year	-2,946,900	-55,845,961	-2,049,174	-1,923,392	-155,562	-62,920,990
Impairments	-379,424	-51,796	-2,007,114	-	-	-2,438,335
<b>Transfers of assets</b>						
Cost/Revaluation	-40,142,839	-	40,142,839	58,613	-	-
Accumulated depreciation and impairment losses	-47,932,312	-	47,932,312	-1,622,727	-	-
	7,789,473	-	-7,789,473	1,564,114	-	-
<b>Carring amount as at June 2013</b>						
Cost/Revaluation	68,140,704	337,769,370	42,094,359	2,111,738	320,072	450,436,243
Accumulated depreciation and impairment losses	83,137,290	760,956,158	54,437,935	9,910,802	945,113	909,387,297
	-14,996,586	-423,186,788	-12,343,576	-7,799,064	-625,041	-458,951,055

Ulundi Municipality

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Property, Plant and Equipment (continued)

PROPERTY, PLANT AND EQUIPMENT

Reconciliation of Carrying Value

Carrying amount as at 01 July 2011

Cost/Revaluation

Restated Accumulated depreciation and impairment losses

Prior period error in accumulated depreciation

Restated carrying amounts as at 01 July 2011

Cost/Revaluation

Accumulated depreciation and impairment losses

Acquisitions

Capital under Construction

Depreciation

Net revaluation decrease

Revaluation adjustment to Value

Revaluation adjustment to Accumulated Depreciation

Carrying value of disposals

Cost/Revaluation

Accumulated depreciation and impairment losses

as at 30 June 2012

Cost/Revaluation

Accumulated depreciation and impairment losses

The assessment of impairment, review of useful life and the residual values was performed by an independent engineer (AB Project)

Buildings		Infrastructure		Community		Other Assets		Finance lease assets		Total	
R		R		R		R		R		R	
112,402,149		354,100,842		3,342,584		876,257		666,217		471,388,050	
136,819,926		863,164,815		3,724,967		12,409,109		1,622,727		1,017,741,544	
(24,417,777)		(509,063,973)		(382,383)		(11,532,852)		(956,510)		(546,353,494)	
10,937,413		221,023,300		3,073		3,400,226		-		235,364,012	
123,339,562		574,550,754		3,345,658		4,276,483		666,217		706,178,674	
136,819,926		863,164,815		3,724,967		12,409,109		1,622,727		1,017,741,544	
(13,480,364)		(288,614,061)		(379,309)		(8,132,626)		(956,510)		(311,562,870)	
564,575		14,724,797				417,079				15,706,451	
1,041,041		11,793,116								12,834,157	
(8,254,993)		(146,682,187)		(207,332)		(1,554,051)		(208,636)		(156,907,199)	
(5,080,317)		(86,609,606)		(411,390)		-		-		(92,101,313)	
(7,355,940)		(154,557,854)		(471,717)		-		-		(162,385,511)	
2,275,623		67,948,248		60,327		-		-		70,284,198	
-		-		-		-		-		-	
-		-		-		(951,078)		-		(951,078)	
-		-		-		951,078		-		951,078	
111,609,868		367,776,874		2,726,936		3,329,712		414,810		486,284,302	
131,069,602		735,124,874		3,253,250		10,769,498		2,875,769		882,150,683	
(19,459,734)		(367,348,000)		(526,314)		-7,439,786		-2,460,959		-395,866,381	

**ULUNDI LOCAL MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**8 INVESTMENT PROPERTY CARRIED AT FAIR VALUE**

	<b>2013</b>	<b>2012</b>
Carrying amount beginning of the year	243,368,000	244,149,000
Fair value adjustment on vacant land	-	-
Sales recognised during the year ending 30 June 2013	-1,780,000	-781,000
Carrying amount end of the year	<b>241,588,000</b>	<b>243,368,000</b>

full listing was revalued, and ownership verified by Professional Valuers, Municipal Valuer, Martin Fitchet, BPG Mass Appraisals, and it has been confirmed that the revalued investment properties under the ownership of Ulundi Municipality.

**9 Intangible asset**

	<b>2013</b>	<b>2012</b>
Opening balance	599,522	808,158
Cost	1,622,727	1,622,727
Accumulated amortisation	-1,023,205	-814,569
Additions	-	-
Amortisation	540,909	-208,636
Closing balance	58,613	599,522
Cost	1,622,727	1,622,727
Accumulated amortisation	-1,564,114	-1,023,205

**ULUNDI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2013**

	Note	2 013	2012
<b>10 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS</b>			
Trade creditors		54 599 763	34 601 453
Payments received in advance		4 874 274	3 724 519
Retentions		3 446 006	1 572 017
Staff leave accrual		5 306 937	4 208 318
Deposits other		0	327 591
Land Sales Suspense		3 366 868	5 243 892
Unallocated receipts		0	0
VAT accrual		0	2 651 280
Other payables		363 176	210 000
<b>Total creditors</b>		<b>71 957 024</b>	<b>52 539 070</b>
<b>11 PROVISIONS</b>		<b>666 544</b>	<b>666 544</b>
Performance bonus		666 544	666 544
<p>Performance bonuses for Section 57 Employees were provided for as outlined in the "Performance Regulations" promulgated by the Department of Provincial and Local Government on the 1st August 2006.</p> <p>The movement in current provisions are reconciled as follows: -</p>			
as at 1 July 2012		666 544	635 408
Contributions to provision		0	31 136
Expenditure incurred		0	0
as at 30 June 2013		<b>666 544</b>	<b>666 544</b>
<b>12 UNSPENT CONDITIONAL GRANTS AND RECEIPTS</b>		<b>4 282 771</b>	<b>11 917 003</b>
Unspent Conditional Grants from other spheres of Government		4 282 771	11 917 003
<p>See Note 19 for reconciliation of grants and receipts. These amounts are invested in ring-fenced investment until utilised.</p>			
<b>13 LONG SERVICE LEAVE AWARDS</b>			
Accrued liability on 30 June 2012		3 129 239	-
Current service cost		322 000	-
Interest cost		266 000	-
Benefits paid		-670 451	-
Current portion of long service		266 761	-
Actuarial loss/(Gains)		173 451	-
Accrued liability on 30 June 2013		<b>3 487 000</b>	<b>-</b>
<p>The valuation was done by ZAQEN Actuaries registered with the Actuarial Society Of South Africa.</p>			
<b>14 FINANCE LEASE LIABILITY</b>			
Amounts payable under finance leases			
Within one year		90 338	177 450
Within two to five years		18 159	108 498
		<b>108 498</b>	<b>285 948</b>
<p>Refer to Appendix A for more detail on Finance leases</p>			
<b>15 ACCUMULATED SURPLUS</b>		<b>505 710 908</b>	<b>-258 708 675</b>
(Deficit) / Surplus for the year		-49 330 402	(208 586 450)
Other accumulated surplus		-456 380 506	-50 122 225

	2013	2012
<b>Revenue from exchange transactions</b>		
<b>16 PROPERTY RATES</b>		
Actual		
Residential	7,487,248	5,936,633
Commercial	5,281,679	5,076,052
Agriculture	1,896,230	1,789,390
State	10,282,390	10,503,212
Rates Rebates	24,947,547	23,305,287
	-2,190,106	-2,528,520
Property rates - penalties imposed and collection charges	22,757,441	20,776,767
Total	4,835,208	8,017,621
	27,592,649	28,794,388
Valuations		
Residential	515,589,000	515,589,000
Commercial	252,874,000	252,874,000
State	686,451,000	685,765,000
Agricultural	611,422,000	611,422,000
Non-Rateable	123,954,000	124,640,000
Total Property Valuations	2,190,290,000	2,190,290,000
<p>Valuations on land and buildings are performed every four years. The latest valuation was completed on 1st January 2009, and came into effect on 1 July 2009 to 30 June 2013.</p> <p>A municipality must regularly, but at least once a year, update its valuation roll by causing-</p> <p>(a) a supplementary valuation roll to be prepared, if section 78 applies; or</p> <p>(b) the valuation roll to be amended, if section 79 applies.</p> <p>78 Supplementary valuations</p> <p>(1) A municipality must, whenever necessary, cause a supplementary valuation to be made in respect of any rateable property-</p> <p>(a) incorrectly omitted from the valuation roll;</p> <p>(b) included in a municipality after the last general valuation;</p> <p>(c) subdivided or consolidated after the last general valuation.</p>		
<b>17 SERVICE CHARGES</b>		
Sale of electricity	43,660,520	32,109,618
Refuse removal	4,594,765	4,679,556
Other		2,213,727
Total Service Charges	48,255,285	39,002,901
<b>18 RENTAL OF FACILITIES AND EQUIPMENT</b>		
Rental of facilities	740,612	692,010
Rental of equipment		0
Other rentals		0
Total rentals	740,612	692,010
<b>Revenue from non exchange transactions</b>		
<b>19 INTEREST EARNED - EXTERNAL INVESTMENTS</b>		
Bank	208,855	113,542
Total Interest	208,855	113,542
<b>20 GOVERNMENT GRANTS AND SUBSIDIES</b>		
Equitable share	77,992,000	68,274,000
Conditional Grants utilised	43,838,205	23,827,509
Total Government Grant and Subsidies	121,830,205	92,101,509
<b>20.1 Equitable Share</b>		
<p>In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a 100 % monthly subsidy for rates which is funded from the grant.</p>		
	77,992,000	68,274,000



	2013	2012	
<b>20.2 MIG Grant</b>			
Balance unspent at beginning of year	1,488,833	-	
Current year receipts	26,700,000	22,011,000	
Conditions met - transferred to revenue	-28,188,833	-20,522,167	
Conditions still to be met - remain liabilities	-	1,488,833	
<b>20.3 Electricity supply to households</b>			
Balance unspent at beginning of year	8,010,547	401,427	
Current year receipts	8,000,000	8,000,000	
Conditions met - transferred to revenue	-14,734,866	-390,880	
Conditions still to be met - remain liabilities	1,275,681	8,010,547	
<b>20.4 Other Government Grants and Subsidies</b>			
Balance unspent at beginning of year	2,417,624	4,814,610	
Current year receipts	3,520,652	2,674,952	
Prior year adjustment	750,000	-	
Conditions met - transferred to revenue	-3,681,185	-5,071,938	
Conditions still to be met - remain liabilities	3,007,091	2,417,624	
<b>21 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS</b>			
Other income	2,874,299	312,728	
VAT Recovery - Projects funded from Grant	2,942,447	3,125,491	
Total Other Income	5,816,746	3,438,219	
<b>22 EMPLOYEE RELATED COSTS</b>			
Employee related costs - Salaries and Wages	41,407,522	36,742,096	
Employee related costs - Contributions for UIF, pensions and medical aids	14,824,731	12,081,001	
Travel, motor car, accommodation, subsistence and other allowances	3,922,079	3,926,669	
Housing benefits and allowances	128,075	137,953	
Overtime payments	1,422,371	1,145,747	
Performance and other bonuses	2,611,201	2,701,980	
Other employee related costs (SDL, Bargaining council, Group insurance, Telephone, Stand by, standing and leave provision)	3,979,319	1,731,748	
WCA	196,618	210,651	
Employee Related Costs	68,491,916	58,677,844	
<b>Remuneration of the Municipal Manager</b>			
Annual Remuneration	746,688	690,112	
Performance- and other bonuses	-	64,667	
Travel, motor car, accommodation, subsistence and other allowances	226,159	226,159	
Contributions to UIF, Medical and Pension Funds	1,713	8,431	
Total	974,560	989,370	
<b>Remuneration of the Chief Finance Officer</b>			
Annual Remuneration	644,681	606,840	
Performance- and other bonuses	-	55,429	
Travel, motor car, accommodation, subsistence and other allowances	84,509	88,009	
Contributions to UIF, Medical and Pension Funds	1,713	1,497	
Total	730,903	751,776	
<b>Remuneration of the Manager Corporate Services</b>			
Annual Remuneration	635,479	606,840	
Performance- and other bonuses	84,509	55,429	
Travel, motor car, accommodation, subsistence and other allowances	-	128,235	
Contributions to UIF, Medical and Pension Funds	1,713	1,497	
Total	721,701	792,002	
<b>Remuneration of Individual Executive Directors</b>			
	<b>Technical Services</b>	<b>Community Services</b>	<b>Protection Services</b>
<b>2013</b>			
Annual Remuneration	584,190	560,275	644,681
Performance- and other bonuses	-	36,673	0
Travel, motor car, accommodation, subsistence and other allowances	154,000	84,509	84,509
Contributions to UIF, Medical and Pension Funds	1,713	61,284	1,713
Total	739,903	742,741	730,903
<b>2012</b>			
Annual Remuneration	535,190	482,431	606,840
Performance- and other bonuses	48,501	55,429	41,572
Travel, motor car, accommodation, subsistence and other allowances	157,500	207,918	88,009
Contributions to UIF, Medical and Pension Funds	1,497	1,497	1,497
Total	742,688	747,276	737,918

23 REMUNERATION OF COUNCILLORS		2013	2012
Executive Mayor		627,018	623,892
Speaker		271,590	482,231
Executive Committee Members		2,976,362	292,059
Councillors		3,650,583	1,541,785
Councillors' allowances		3,333,129	7,503,480
Total Councillors' Remuneration		10,858,682	10,443,449
In-kind Benefits			
The Executive Mayor, Deputy Mayor, Speaker and Executive Committee Members are provided with an office and secretarial support at the cost of the Council.			
24 DEPRECIATION AND AMORTISATION EXPENSE			
Depreciation - Finance lease assets		155,562	214,876
Amortisation		540,909	208,636
Property, plant and equipment		62,765,428	156,489,927
Total Depreciation and Amortisation		63,461,899	156,907,199
25 FINANCE COSTS			
External Interest		-	34,270
Long service		-	-
Finance lease interest		16,250	36,802
Total Interest paid		16,250	71,072
26 BULK PURCHASES			
Electricity		49,248,571	44,916,039
Total Bulk Purchases		49,248,571	44,916,039
27 CONTRACTED SERVICES			
Contracted services for:			
Hire of equipment		636,614	888,176
Hire of offices		264,541	-
Hire of Vehicles		4,081,053	4,091,297
Professional fees		996,418	1,041,644
Private Security Service		5,009,017	5,106,634
Refuse Removal contracts		5,358,842	5,305,381
Software and licenses		2,012,368	2,191,313
Grant expenditure- MPRA		42,800	249,278
Grant expenditure - MIG		1,549,965	34,298
Grant expenditure - MSIG		798,689	1,149,226
Grant expenditure - Formalise Unit M		-	560,000
Grant expenditure - Electrification of households		12,961,400	-
Grant expenditure - Corridor development		-	100,390
		33,711,707	20,717,637

## 28 GENERAL EXPENSES

Included in general expenses are the following:-

	2013	2012
Accommodation	263,734	625,896
Advertising	104,000	205,414
Admin fees paid	22,623	660,735
Admin fees recoverd	-	-554,036
Ammunition	4,290	1,180
Arts and Culture	37,950	27,809
Audit fees - External	1,714,502	2,167,016
Audit fees - Internal	-	129,509
Bank charges	113,729	338,715
Cash handling fee	72,532	128,449
Cash shortages	1,750	1,866
Civic entertainment	25,235	8,919
Commision : Sale pre-paid Electricity	776,033	631,096
Conference fees	5,930	31,758
Decorations	2,965	-
Delivery - Consumer accounts	77,862	73,438
Disaster relief	877	397,729
Entertainment / Refreshments	51,646	342,742
Expendable tools	94,563	111,727
Fertilizer & Compost	-	2,482
Fuel and oil - machinery	13,526	35
Free basic Services - Electricity	663,076	573,182
Fruitless and wasteful expenses	2,025,128	-
Grant : LUMS	-	23,940
Grant expenditure - FMG	1,290,956	1,406,790
Grant : MAP	-	50,000
Grant : Skills Development	-	225,370
Grant: Tourism	-	87,928
Hire of offices	-	51,978
HIV/AIDS Projects	-	96,763
Housing Grant Expenditure	-	44,500
IDP projects	12,538	190,922
Indigent burials	875,833	937,341
Indigent relief	-	76,988
Insurance	60,053	296,375
Infrastructure Fixed asset project	-	62,576
Legal expenses	152,741	439,384
LED projects	-	19,866
Library material	6,361	799
License fees	-	15,388
Local mayoral sports cup	264,210	560,104
Mayoral functions	71,930	238,783
Medical examination fees	4,112	7,883
Membership fees	433,108	279,835
Official photographs	-	9,962
Periodicals	-	1,495
Printing and stationery	1,205,402	1,203,222
Projects tourism	114,555	115,284
Programming	-	96
Promotional material	8,310	131,519
Publicity	1,197	79,739
Quality Special projects/Grass cutting	68,745	51,071
Refuse bags	697,136	463,948
Refuse receptacles	9,890	568
Repeater licence fee	-	36,666
Small office equipment	-	-
Small tools	1,083	478
Stamps and postage	1,790	8,084
Stocks and material	124,387	150,113
Stores shortages	-	39,906
Study aid - Staff	11,594	-25,212
Telephone cost	1,369,014	1,837,088
Training	169,640	238,650
Transport	1,466,354	1,869,181
Travel and subsistence	391,356	380,279
Trees and shrubs	15,845	-
Uniforms & overalls	241,332	628,952
Valuation costs	1,928,781	3,509
Ward committees	215,675	40,152
Water charges	1,152,513	519,257
Weed killers and insecticides	17,335	4,560
Youth Affairs	-	100,000
Contribution to long service awards	3,487,001	-
WCA was moved to the employee cost note 21. amounting to R210 651 (2012) and R196 618 (2013)	21,942,729	18,907,740

	2013	2012
<b>29 GAIN / (LOSS) ON SALE OF ASSETS</b>		
Gain on sale of land	210,000	125,614
Loss on sale of land	-90,000	-
Vehicles & Other Moveables	-	569,455
Total Gain / (Loss) on Sale of Assets	120,000	695,069
<b>30 CHANGE IN ACCOUNTING ESTIMATE</b>		
Reduction in the provision for doubtful debts	-	1,196,715
Total	-	1,196,715
<b>31 CASH GENERATED BY OPERATIONS</b>		
(Deficit)/ Surplus for the year	228,674,904	-208,283,118
Adjustment for:-		
Prior year	-758,706	-
Depreciation and amortisation	66,278,401	156,907,199
(Gain) / loss on sale of assets	-120,000	-1,476,069
Doubtful debt provision written back	-14,330,665	-1,196,714
Bad debts	19,534,616	-
Contributions to provisions	3,487,000	-
Housing grants received/ Expenditure	-	-
Finance costs	16,250	71,072
Interest earned	-208,211	-113,542
Fair value adjustments	-278,634,000	-
Operating surplus before working capital changes:	23,939,589	-54,091,172
(Increase)/decrease in inventories	105,263	304,190
(Increase)/decrease in trade receivables	-9,596,602	3,547,762
(Increase)/decrease in other receivables	1,687,988	35,572
(Increase)/decrease in prepayments	-	279,244
Adjustment to provisions - current	-	31,136
(Increase)/decrease in VAT receivable	758,379	-740,994
Increase/(decrease) in conditional grants and receipts	-7,734,233	6,700,966
Increase/(decrease) in trade payables	19,417,954	10,011,397
Cash generated by/(utilised in) operations	28,578,338	-33,921,899
<b>32 CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Bank balances and cash	1,571,481	1,047,420
Net cash and cash equivalents (net of bank overdrafts)	1,571,481	1,047,420
<b>33 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED</b>		
<b>33.1 Fruitless and wasteful expenditure</b>		
Reconciliation of unauthorised fruitless and wasteful expenditure		
Opening balance	8,758,759	7,840,961
Unauthorised fruitless and wasteful expenditure current year	2,025,128	917,798
Approved by Council or condoned	-8,758,759	-
Unauthorised fruitless and wasteful expenditure awaiting authorisation	2,025,128	8,758,759
<b>33.2 Irregular expenditure</b>		
Opening balance		
Irregular expenditure current year	17,694,428.81	-
Condoned or written off by Council	-	-
Transfer to receivables for recovery – not condoned	-	-
Irregular expenditure awaiting condonement	17,694,429	-
<b>33.3 Unauthorised expenditure</b>		
Reconciliation of unauthorised expenditure		
Opening balance	7,505,896	4,362,887
Unauthorised expenditure current year	2,327,166	-
Employee Costs	-	3,143,009
Approved by Council or condoned	-7,505,896	-
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	2,327,166	7,505,896
<b>33.4 Deviations</b>		
Deviations for the year reported to council	1,489,108	-

34 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		2013	2012
<b>34.1 Contributions to organised local government</b>			
Opening balance			
Council subscriptions		369,633.06	279,244.00
Amount paid - current		(369,633.06)	(279,244.00)
Amount paid - previous years			
Balance unpaid (included in payables)		-	-
<b>34.2 Audit fees</b>			
Opening balance			
Current year audit fee		1,718,452	2,167,016
Amount paid - current year		-1,640,351	-2,167,016
Amount paid - previous years			
Balance unpaid (included in payables)		78,101	0
<b>34.3 VAT</b>			
Opening balance		4,109,736	3,368,742
Current year output vat		-5,654,762	-5,650,287
Current year input vat		12,538,428	15,465,474
Amount paid current year		607,867	117,830
Sundry adjustments		-27,740	
Amount refunded by SARS - current		-8,791,073	-9,192,023
Amount due by SARS		2,782,456	4,109,736
VAT receivables and payables are shown in note 12. All VAT returns have been submitted by the due date throughout the year.			
<b>34.4 PAYE and UIF</b>			
Opening balance			
Current year payroll deductions		8,800,791	8,423,800
Amount paid - current year		-6,002,428	-8,423,800
Amount paid - previous years			
Balance unpaid (included in payables)		2,798,363	0
<b>34.5 Pension and Medical Aid Deductions</b>			
Opening balance			
Current year payroll deductions and Council Contributions		15,363,513	17,437,110
Amount paid - current year		-13,498,379	-17,437,110
Amount paid - previous years			
Balance unpaid (included in payables)		1,865,134	0
<b>34.6 Councillor's arrear consumer accounts</b>			
The following Councillors had arrear accounts outstanding for more than 90 days as at:-			
	Total	Outstanding less than 90 days	Outstanding more than 90 days
as at 30 June 2013			
F L Buthelezi		124	6,618
Total Councillor Arrear Consumer Accounts			
as at 30 June 2012			
F L Buthelezi	8,709		8,709

35 COMMITMENTS		2013	2012
35.1.1	Commitments in respect of capital expenditure		
	Approved and contracted for	35,381,000	34,762,000
	Infrastructure	27,381,000	26,762,000
	Community	8,000,000	8,000,000
	Approved but not yet contracted for	580,000	1,195,914
	Other (Buildings)	580,000	1,195,914
	<b>Total</b>	<b>35,961,000</b>	<b>35,957,914</b>
	This expenditure will be financed from:		
	- External Loans	71,342,000	35,957,914
	- Government Grants	35,381,000	34,762,000
	- Own resources	35,961,000	1,195,914
35.1.2	Commitments in respect of operating expenditure	20,800,222	-
	Commitments towards operations	20,800,222	-
		56,761,222	35,957,914
35.2	Operating leases		
	At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:		
	Operating leases - lessee		
	Within one year	4,735,903	2,975,655
	Greater than one year	1,597,757	2,688,789
	<b>Total</b>	<b>6,333,660</b>	<b>5,664,444</b>
	Operating Leases consists of the following:		
	Operating lease payments represent rentals payable by the municipality for certain of its office properties and motor vehicles. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is		
36	PENSION FUND INFORMATION		
36.1	Defined contribution plan		
	Certain Councillors and employees belong to defined benefit retirement funds administered by the Natal Joint Municipal Pension Fund. These funds are subject to a triennial actuarial valuation. The last valuation was performed in 2009.		
36.2	Retirement Fund		
	The Fund's Actuary confirmed that, at the valuation date,		
	- the Memorandum account was fully funded		
	- the Fund's liabilities for members exceeded the value of the assets, however, it was anticipated that the surcharge of 17 % of pensionable salaries, which currently applies, will enable the shortfall to be eliminated by July 2010.		
37	CONTINGENT LIABILITY		
37.1	Claim for damages		
	The following matters are currently on the roll of the high court and as at balance sheet date the following amounts represent possible liabilities, they are an estimate from the Municipality's attorneys.		
	D.N. Nzimande on behalf of S.E. Nzimande vs Ulundi Municipality	6,000,000	6,000,000
	G.M. Zondo on behalf of L.Z. Zondo vs Ulundi Municipality	3,000,000	3,000,000
	The Municipality is being sued by these ratepayers for damages arising from incidents relating to electric shock injuries sustained.	9,000,000	9,000,000
	Municipality is being sued. The basis of the action is that the Municipality failed to take delivery of motor vehicles that they ordered in terms of a tender process. The Municipality is alleging that the motor vehicles were returned, after the service provider failed to adhere to the specifications and a notice of cancellation was given.	11,000,000	11,000,000
	The arbitrator will find that the Municipality will have to pay the full amount outstanding together with costs. This will be estimated to be R500 000-00. (the claim plus costs)	500,000	500,000
		<b>20,500,000</b>	<b>20,500,000</b>
38	RELATED PARTIES		
	There were no related party transactions during the 2012/2013 financial year.		

**39 EVENTS AFTER THE REPORTING DATE**

There have been no events after the reporting date that require disclosure.

**40 KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS**

No areas have involved a significant degree of estimation, uncertainty or judgements made by management in applying the municipalities accounting policies and that have a material and significant affect on the amounts recognised in the financial statements.

**41 DISTRIBUTION LOSSES**

The municipality incurred distribution losses on Electricity amounting to approximately 34 255 007,70 units for the year ending 30 June 2012, this loss amounted to approximately . These losses are calculated as the difference between power supplies purchased and sales recorded.

Number of consumers ( Residential and Commercial)

Units purchased ( kwh)

Units sold ( total)

Units lost in distribution

% Lost in distribution

Average Cost per unit purchased

**TOTAL COST OF DISTRIBUTION LOSSES**

77,824,874	79,267,728
46,004,222	44,012,720
31,820,652	34,255,008
40.89	43.21
0.6300	0.4486
<b>20,136,514</b>	<b>15,366,796</b>

**42 RISK MANAGEMENT****42.1 Maximum credit risk exposure**

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or consumer contract, leading to financial loss. The municipality is exposed to credit risk from its operating activities (primarily for trade receivables)

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control as

87,215,822 100,527,055

Credit risk from balances with banks and financial institutions is managed by the municipality's finance and management committee in accordance with the municipality's policy. Investments of surplus funds are made only with approved counterparties and with

Counterparty credit facilities are reviewed by MANCO on an annual basis, and may be updated throughout the year subject to approval by EXCO.

Financial assets exposed to credit risk at year end were as follows:

First National Bank Call Investments

56,019 129,853

These balances represent the maximum exposure to credit risk.

**42.2 Liquidity risk****2013****2012**

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

**42.3 GOING CONCERN**

These Annual Financial Statements have been prepared on the assumption that due to cashflow situation which had a negative impact on the operations pertaining to the financial year reported (2012/2013), Ulundi Municipality is in the risk of a going concern for the next 12 months.

It must be noted though, that in August 2012, this Municipality hosted a Strategic Planning Session which resulted to the following:

1. Drafting of a Cash Flow Management Policy - Out of the Cash Flow Management Policy a Cash Flow Committee was established with the following terms of reference: Expenditure Control and Regular Progress report meetings every Friday mornings.

**RESULTS REALISED IN 2012/ 2013 FINANCIAL YEAR**

1.1 Monthly expenditure was greatly minimised by limiting outgoing trips and also overtimes were closely monitored.

1.2 All contracted services that came to an end in 2012/2013 Financial year were not renewed but instead those services were not outsourced and they were done internally (e.g. grass cutting, refuse removal and hire of equipment)

1.3 Hotel accommodation was only provided to the Mayor and the rest should go for a private accommodation and claim R350.00 from the Municipality.

1.4 All Executive Directors are not allowed to claim after travelling officially until the Cash Flow situation improves.

1.5 By cutting down all the above Expenditure, the Municipality was able to meet some of the most important obligations which are Medical Aid, Insurance deductions on monthly basis.

1.6 After engagement with the ITC TransUnion with the view to clean database of debtors a report was issued by TransUnion in May 2013 where the debtors were categorised between collectable and non-collectable. Currently the Municipality is using this report to improve a Revenue Enhancement Strategy.

1.7 Faulty commercial meters in the CBD areas were identified and they have now been replaced and therefore correct billing is realised.

1.8 It is also worth mentioning that to prevent the situation from getting worse on the 30 May 2013 this Council, when approving the Final Budget for 2013/2014 took a Resolution of making Electricity services as well as Protection services separate Business Units. This was done in order to make these two functions self-sustainable and at the same time address the issue of Eskom debt which is currently sitting at R29 million.

**42.4 Interest rate risk**

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

**Correction of prior period error****43 Financial Statements**

During the current financial year, the Municipality corrected errors in the previous year's financial statements. The comparative amounts have been appropriately restated.

**Statement of Financial position**

Unspent conditional grants and receipts - previously disclosed

11,917,003

Grant -Thusong Service Centre incorrectly allocated to sundry income

750,000

Revised - Unspent Conditional grants and receipts

12,667,003

Other receivables from non-exchange transactions - previously disclosed

469,151

Debtor overstated - insurance claims

-158,806

Revised - Other receivables from non-exchange transactions

310,345

Accumulated surplus - previously disclosed

494,131,568

Grant -Thusong Service Centre incorrectly allocated to sundry income

-750,000

Debtor overstated - insurance claims

-158,806

493,222,762



# ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2013

	Approved Budget R	Adjustments R	Final Budget R	Actual R	Variance R	Variance %	Explanation of significant variances greater than 10 % versus budget
<b>Revenue</b>							
Property rates	16,000,000	-	16,000,000	22,757,441	-6,757,441	(0.42)	Under budgeting during the budget adjustment.
Property rates - penalties imposed and collection charges	1,800,000	-	1,800,000	4,835,208	-3,035,208	(1.69)	Under collection of electricity due to electricity theft and tampering.
Service charges	60,179,991	600,009	60,780,000	48,255,285	12,474,715	0.21	Under budgeting during the budget adjustment.
Rental of facilities and equipment	710,000	-	710,000	740,612	-30,612	(0.04)	
Interest earned - external investments				208,855	-208,855		
Fines	1,701,000	800,000	2,501,000	2,208,768	292,232	0.12	
Licences and permits	4,000,000	-2,300,000	1,700,000	2,246,565	-546,565	(0.32)	
Government grants and subsidies	117,582,000	8,000,000	125,582,000	121,830,205	3,751,795	0.03	
Other income	171,000		171,000	5,816,746	-5,645,746	(33.02)	This was mainly inflated by VAT recovery on grant funded project as from July 2012.
Proceeds on sale of assets							Non realisation of proceeds on sale of land due to delays in registration. As a result monies due to the Municipality are kept in Attorneys trust accounts.
Provision for bad debts adjustment	10,150,000	-5,100,000	5,050,000		5,050,000	1.00	
<b>Total Revenue</b>	<b>212,243,991</b>	<b>2,000,009</b>	<b>214,244,000</b>	<b>14,330,675</b>	<b>-8,986,360</b>	<b>(0.04)</b>	
<b>Expenses</b>							
Employee related costs	66,204,547	1,255,730	67,460,277	68,491,916	-1,031,639	(0.02)	
Remuneration of councillors							
Bad debts	12,082,155	1,352,728	13,434,883	10,858,682	2,576,201	0.19	5.6% was budgeted for increase and National COGTA Minister Approved 5.5%.
Provision for Impairment of Trade Debtors				19,534,616	-19,534,616		
Depreciation and amortisation expense							
Impairment loss				63,461,899	-63,461,899		
Repairs and maintenance				2,438,335	-2,438,335		
Bulk purchases	10,468,723	-1,817,740	8,650,983	2,976,057	5,674,926	0.66	Due to cash flow situation expenditure was greatly minimized.
Contracted services	45,939,811	-	45,939,811	49,248,571	-3,308,760	(0.07)	
General expenses	33,356,929	196,000	33,552,929	33,711,707	-158,778	(0.00)	The variance is due to grant funded projects
	17,654,791	1,397,291	19,052,082	21,945,227	-2,893,145	(0.15)	
<b>Total Expenses</b>	<b>185,706,956</b>	<b>2,384,009</b>	<b>188,090,965</b>	<b>272,667,010</b>	<b>-84,576,045</b>	<b>(0.45)</b>	
Gain / (loss) on sale of assets				120,000			
Change in Accounting Estimate							
Profit / (loss) on fair value adjustment	26,537,035	-384,000	26,153,035				
Surplus / (deficit) for the period	53,074,070	-768,001	52,306,069	-49,316,650	75,589,685		

Note: This statement of comparison of budget and actual amounts is not on the same accounting basis as the rest of the financial statements which is on the accrual basis and the budget on a cash basis.

## RECONCILIATION OF BUDGET AND ACTUAL AMOUNTS

	OPERATING	INVESTING	FINANCING	TOTAL
Actual amounts on comparable basis as presented in the budget and actual comparable statement	100,252,641.00	-	-	100,252,641.00
Basic differences	(71,482,342.00)	-	-	(71,482,342.00)
Timing differences	-	-	-	-
Entity differences	-	-	-	-
<b>Actual amount in the cashflow statement</b>	<b>28,770,299.00</b>	<b>(28,045,971.00)</b>	<b>(200,251.00)</b>	<b>524,077.00</b>

45 ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2013

	Additions R	Under Construction R	Total Additions R	Budgeted Additions R	Variance
<b>Infrastructure</b>					
Roads	21,770,918	992,457	22,763,375	22,902,272	-138,897
Electrical Infrastructures	3,166,191	-	3,166,191	-	3,166,191
	<b>24,937,109</b>		<b>25,929,566</b>	<b>22,902,272</b>	<b>3,027,294</b>
<b>Community Assets</b>					
Recreational facilities		3,252,373	3,252,373	3,797,728	-545,355
	<b>-</b>	<b>3,252,373</b>	<b>3,252,373</b>	<b>3,797,728</b>	<b>-545,355</b>
<b>Other Assets</b>					
Furniture and fittings	78,801		78,801		78,801
Computer Equipment	212,988		212,988	60,000	152,988
Machinery and equipment	472,244		472,244		472,244
Vehicles	-		-		-
	<b>764,033</b>	<b>-</b>	<b>764,033</b>	<b>60,000</b>	<b>704,033</b>
<b>Total</b>	<b>25,701,141</b>	<b>4,244,830</b>	<b>29,945,971</b>	<b>22,962,272</b>	<b>3,185,971</b>

**APPENDIX A**

**ULUNDI LOCAL MUNICIPALITY**

**SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2013**

**FINANCE LEASE LIABILITY**

Car registration	Capital Balance at 30 June 2012	Capital reduction during the year	Interest paid for the year	Capital Balance at 30 June 2013
NKU 3923	21,308	21,308	725	0
NKU 3570	65,283	43,645	3,759	21,638
NKU 4383	29,365	29,365	1,000	
NKU 4716	149,668	62,808	10,229	86,860
NKU 4250	20,324	20,324	537	0
<b>TOTAL</b>	<b>285,948</b>	<b>177,450</b>	<b>16,250</b>	<b>108,498</b>



## APPENDIX B

[illegible]

APPENDIX C

ULUNDI LOCAL MUNICIPALITY

SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2013

	Cost / Revaluation			Accumulated Depreciation							Carrying value
	Opening Balance	Additions	Under Construction	Disposals/w/r ite offs	Closing Balance	Opening Balance	Depreciation	Impairment loss	Disposals	Closing Balance	
Executive & Council	518 181,359		-	-	517 757,037	215 890,536	2,946,900	379,424	-58,969	-703,308,506	1,221,065,544
Finance & Admin	4 572,953	1,110,406	-	-	5 683,359	3,196,140	896,346	-	-	4,092,487	1,590,872
Community & Social Services	96,193,895		3,252,373	-98,282	99,347,986	21,161,824	4,200,347	2,007,114	-	27,369,285	71,978,700
Road Transport	225 965,639	21,770,918	992,457	-1,930,656	246,798,358	147,309,667	47,478,130	-	-1,991,465	196,779,261	50,019,097
Electricity	36 634,367	3,166,190	-	-	39 800,557	8 308,215	7 786,795	21,408	-	16,116,418	23 684,139
Total	882,150,683	26,047,514	4,244,830	-2,028,938	909,387,297	395,866,381	63,308,519	2,407,947	-2,050,434	-458,951,055	450,436,242

**APPENDIX D  
ULUNDI LOCAL MUNICIPALITY**

**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013**

2012 Actual Income R'000	2012 Actual Expenditure R'000	2012 Surplus / (Deficit) R'000				
			2013 Actual Income R'000	2013 Actual Expenditure R'000	2013 Surplus / (Deficit) R'000	
32,451,032	39,722,675	-7,271,643	34,394,689	18,719,602	15,675,087	Executive & Council
92,667,813	18,580,826	74,086,987	78,513,795	39,734,197	38,779,598	Finance & Admin
1,503,826	3,654,578	-2,150,752	642,075	4,088,846	-3,446,771	Planning & Development
		0			0	Health
1,290,010	7,304,526	-6,014,516	602,574	3,928,435	-3,325,861	Community & Social Services
3,664,498	15,126,585	-11,462,087	4,755,333	18,176,229	-13,420,896	Public Safety
92,716	3,941,033	-3,848,317	238,014	3,489,269	-3,251,256	Sport & Recreation
	520,489	-520,489			0	Environmental Protection
4,679,556	7,303,680	-2,624,124	4,594,765	7,750,025	-3,155,260	Waste Management
	67,168,077	-67,168,077		3,949,691	-3,949,691	Road Transport
44,500	44,500	0			0	Housing
32,109,618	63,493,015	-31,383,397	43,969,618	75,640,910	-31,671,291	Electricity
	1,691,822	-1,691,822	56,247,952	97,839,025	-41,591,073	Other
<b>168,503,569</b>	<b>228,551,806</b>	<b>-60,048,237</b>	<b>223,958,814</b>	<b>273,316,228</b>	<b>-49,357,414</b>	

**APPENDIX E**

**ULUNDI MUNICIPALITY: DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, ACT 56 OF 2003**

Description	Unspent balance at 1 July 2012	Adjustment 2012/2013	Received 2012/2013	Expenditure 2012/2013	Transfer 2012/2013	Unspent balance at 30 June 2013
	R	R	R	R	R	R
Thusong service centre	-	750,000	-	217,836	-	532,164
Skills Development	138,635	-	120,652	165,140	-	94,147
Finance Management	-	-	1,500,000	1,499,520	-	480
Development Planning	191,559	-	-	-	-	191,559
Tourism	116,582	-	100,000	-	-	216,582
Sector plan	181,737	-	-	-	-	181,737
LUMS	48,177	-	-	-	-	48,177
Housing plan	36,172	-	-	-	-	36,172
Anti corruption	8,474	-	-	-	-	8,474
Library equipment	5,461	-	-	-	-	5,461
MFMA implementation	104,513	-	-	-	-	104,513
Dev inform. System (GIS )	15,934	-	-	-	-	15,934
Inter dept. monitoring	63,780	-	-	-	-	63,780
EPWP	-	-	1,000,000	1,000,000	-	-
MSIG	0	-	800,000	798,689	-	1,311
Strategic planning	4,362	-	-	-	-	4,362
MDIS support	125,000	-	-	-	-	125,000
Performance Management	42,864	-	-	-	-	42,864
MDPCB	80,000	-	-	-	-	80,000
Capacity building	234,500	-	-	-	-	234,500
Human resources policies	29,698	-	-	-	-	29,698
MIG	1,488,833	-	26,700,000	28,188,833	-	0
Investment Plan	200,000	-	-	-	-	200,000
REDS	150,000	-	-	-	-	150,000
H V Cable Tester	460	-	-	-	-	460
Basic bookkeeping training	1,212	-	-	-	-	1,212
Parallel feeders	-492	-	-	-	-	-492
Sportsfields	77,036	-	-	-	-	77,036
ZDM corridor development	535,575	-	-	-	-	535,575
Electricity supply to households	8,010,547	-	8,000,000	14,734,866	-	1,275,681
Implementation of municipal governance	26,384	-	-	-	-	26,384
Taxi Rank	-0	-	-	-	-	-0
Arts and Culture	0	-	-	-	-	0
	11,917,003	750,000	38,220,652	46,604,884	-	4,282,771